

INTRODUCTION: Federal Fiscal Operations

Budget authority usually takes the form of appropriations that allow *obligations* to be incurred and payments to be made. Reappropriations are Congressional actions that extend the availability of unobligated amounts that have expired or would otherwise expire. These are counted as new budget authority in the fiscal year of the legislation in which the reappropriation act is included, regardless of when the amounts were originally appropriated or when they would otherwise lapse.

Obligations generally are liquidated by the issuance of checks or the disbursement of cash--*outlays*. Obligations may also be liquidated (and outlays recorded) by the accrual of interest on public issues of Treasury debt securities (including an increase in redemption value of bonds outstanding); or by the issuance of bonds, debentures, notes, monetary credits, or electronic payments.

Refunds of collections generally are treated as reductions of collections, whereas payments for earned-income tax credits in excess of tax liabilities are treated as outlays. Outlays during a fiscal year may be for payment of obligations incurred in prior years or in the same year. Outlays, therefore, flow in part from unexpended balances of prior year budget authority and from budget authority provided for the year in which the money is spent. Total outlays include both budget and off-budget outlays and are stated net of offsetting collections.

Receipts are reported in the tables as either budget receipts or offsetting collections. They are collections from the public, excluding receipts offset against outlays. These, also called governmental receipts, consist mainly of tax receipts (including social insurance taxes), receipts from court fines, certain licenses, and deposits of earnings by the Federal Reserve system. Refunds of receipts are treated as deductions from gross receipts.

Offsetting collections from other Government accounts or the public are of a business-type or market-oriented nature. They are classified as either collections credited to appropriations or fund accounts, or offsetting receipts (i.e., amounts deposited in receipt accounts). The former normally can be used without appropriation act by Congress. These occur in two instances: (1) when authorized by law, amounts collected for materials or services are treated as reimbursements to appropriations, and (2) in the three types of revolving funds (public enterprise, intragovernmental, and trust); collections are netted against spending, and outlays are reported as the net amount.

Offsetting receipts in receipt accounts cannot be used without appropriation. They are subdivided into two categories: (1) proprietary receipts, or collections from the public, offset against outlays by agency and by function, and (2) intra-governmental funds, or payments into receipt accounts from governmental appropriation or fund accounts. They finance operations within and between Government agencies and are credited with collections from other Government accounts.

Intrabudgetary transactions are subdivided into three categories: (1) interfund transactions--payments are from one fund group (either Federal funds or trust funds) to a receipt account in the other fund group; (2) Federal intrafund transactions--payments and receipts both occur within the Federal fund group; and (3) trust intrafund transactions--payments and receipts both occur within the trust fund group.

Offsetting receipts are generally deducted from budget authority and outlays by function, subfunction, or agency. There are four types of receipts, however, that are deducted from budget totals as undistributed offsetting receipts. They are: (1) agencies' payments (including payments by *off-budget Federal entities*) as employers into employees' retirement funds; (2) interest received by trust funds; (3) rents and royalties on the Outer Continental Shelf lands; and (4) other interest (i.e., that collected on Outer Continental Shelf money in deposit funds when such money is transferred into the budget).

The Government has used the unified budget concept as a foundation for its budgetary analysis and presentation since 1969. The concept calls for the budget to include all of the Government's fiscal transactions with the public. Since 1971, however, various laws have been enacted removing several Federal entities from (or creating them outside of) the budget. Other laws have moved certain off-budget Federal entities onto the budget. Under current law, the off-budget Federal entities consist of the two Social Security trust funds, Federal old-age and survivors insurance, and Federal disability insurance.

Although an off-budget Federal entity's receipts, outlays, and surplus or deficit ordinarily are not subject to targets set by the congressional resolution, the Balanced Budget and Emergency Deficit Control Act of 1985 (commonly known as the Gramm-Rudman-Hollings Act) included off-budget surplus or deficit in calculating deficit targets under that act and in calculating excess deficit. Partly for this reason, attention has focused on both on- and off-budget receipts, outlays, and deficit of the Government.

Tables **FFO-1**, **FFO-2**, and **FFO-3** are published quarterly and cover 5 years of data, estimates for 2 years, detail for 13 months, and fiscal year-to-date data. They provide a summary of data relating to Federal fiscal operations reported by Federal entities and disbursing officers, and daily reports from the Federal Reserve banks. They also detail accounting transactions affecting receipts and outlays of the Government and off-budget Federal entities and their related effect on assets and liabilities of the Government. Data are derived from the "Monthly Treasury Statement of Receipts and Outlays of the United States Government."

• Table **FFO-1** summarizes the amount of total receipts, outlays, and surplus or deficit, as well as transactions in Federal securities, monetary assets, and balances in Treasury operating cash.

- Table **FFO-2** includes on- and off-budget receipts by source. Amounts represent income taxes, social insurance taxes, net contributions for other insurance and retirement, excise taxes, estate and gift taxes, customs duties, and net miscellaneous receipts.

- Table **FFO-3** details on- and off-budget outlays by agency.

- Table **FFO-4** (revised from March issue) summarizes internal revenue collections by States and other areas and by type of tax. Amounts reported are collections made in a fiscal year. They span several tax liability years because they consist of prepayments (i.e., estimated tax payments and taxes withheld by employers for individual income and Social Security taxes), of payments made with tax returns, and of subsequent payments made after tax returns are due or are filed (i.e.,

payments with delinquent returns or on delinquent accounts). During the preparation of Table FFO-4, incorrect figures were inadvertently imported into the Unemployment Insurance and Estate and Gift columns. Revisions resulted in a change to the State distribution only.

It is important to note that these data do not necessarily reflect the Federal tax burden of individual States. Amounts are reported based on the primary filing address provided by each taxpayer or reporting entity. For multistate corporations, the address may reflect only the State where such a corporation reported its taxes from a principal office rather than other States where income was earned or where individual income and Social Security taxes were withheld. In addition, an individual may reside in one State and work in another.

Budget Results and Financing of the U.S. Government and Third-Quarter Receipts by Source

(Source: Office of Tax Analysis)

Third-Quarter Receipts

The following capsule analysis of budget receipts, by source, for the third quarter of fiscal 1996 supplements fiscal data reported in the September issue of the "Treasury Bulletin." At the time of that issue's release, not enough data were available to analyze adequately collections for the quarter.

Individual income taxes—Individual income tax receipts were \$198.2 billion for the third quarter of fiscal 1996. This is an increase of \$30.6 billion from the comparable quarter of fiscal 1995. Withheld receipts increased by \$3.5 billion and non-withheld receipts increased by \$26.0 billion during this period. Refunds increased by \$1.1 billion from the comparable fiscal 1995 quarter. There was a decrease of \$7.4 billion in accounting adjustments between individual income tax receipts and the Social Security and Medicare trust funds from the comparable quarter in fiscal 1995.

Corporate income taxes—Net corporate receipts for the third quarter totaled \$64.5 billion. This was \$2.9 billion higher than net receipts for the comparable quarter of fiscal 1995. The \$2.9 billion figure consists of \$2.5 billion in higher estimated and final payments plus \$0.4 billion in lower refunds. The increase in net receipts mainly reflects higher corporate profits.

Employment taxes and contributions—Employment taxes and contributions receipts for the third quarter were \$139.6 billion, an increase of \$11.3 billion more than the comparable prior year quarter. Receipts to the Old-Age Survivors Insurance, Disability Insurance, and Hospital Insurance trust funds increased by \$6.2 billion, \$1.1 billion, and \$4.0 billion, respectively. There was a -\$1.8 billion accounting adjustment for prior years' employment tax liabilities made in the third quarter of fiscal 1995, while there was a \$5.6 billion adjustment made in the third quarter of fiscal 1996.

Contributions for other insurance and retirement—Contributions for other retirement were \$1.1 billion for the third quarter. There was a negligible increase in receipts from the comparable quarter of fiscal 1995. The growth in contributions will remain flat during the next few years as the number of employees covered by the Federal employees' retirement system (FERS) grows slowly relative to those covered under the civil service retirement system (CSRS).

Unemployment insurance—Unemployment insurance receipts for the third quarter were \$14.2 billion, which is \$0.2 billion less than they were for the comparable quarter of fiscal 1995. State taxes deposited in the U.S. Treasury decreased by \$0.01 billion, and Federal Unemployment Tax Act (FUTA) receipts increased by \$0.2 billion. Railroad unemployment

Budget Results and Financing of the U.S. Government and Third-Quarter Receipts by Source, con.

tax receipts were unchanged from the comparable quarter of fiscal 1995.

Excise taxes—Net excise tax receipts for the third quarter were \$13.0 billion, a decrease of \$1.3 billion from the comparable prior year quarter. Total excise tax refunds for the quarter were \$0.4 billion, a decrease of \$0.1 billion from the comparable prior year quarter. The decrease in net receipts mainly reflects the expiration of certain excise taxes.

Estate and gift taxes—Estate and gift tax receipts were \$5.3 billion for the third quarter. These receipts represent an increase of \$1.7 billion from the previous quarter, as well as an increase of \$1.0 billion more than the same quarter in the previous year.

Customs duties—Customs receipts net of refunds were \$4.3 billion for the third quarter. This is approximately \$100 million less than the customs duties received in the Treasury from the comparable prior year quarter. This difference is attributable to recently enacted trade agreements that have decreased the duty rate on merchandise imports.

Miscellaneous receipts—Net miscellaneous receipts for the third quarter were \$5.3 billion, a decrease of \$2.9 billion from the comparable prior year quarter. Deposits of earnings by Federal Reserve banks decreased by \$2.8 billion from the comparable prior year quarter. ◇

Total On- and Off-Budget Results and Financing of the U.S. Government

[In millions of dollars. Source: Directives Management Branch, Financial Management Service]

	Fourth quarter (July - Sept.)	Fiscal 1996
Total on- and off-budget results:		
Total receipts	361,477	1,452,763
On-budget receipts	272,513	1,085,271
Off-budget receipts	88,963	367,492
Total outlays	395,035	1,560,094
On-budget outlays	308,603	1,259,638
Off-budget outlays	86,432	300,455
Total surplus or deficit (-)	-33,557	-107,331
On-budget surplus or deficit (-)	-36,091	-174,367
Off-budget surplus or deficit (-)	2,533	67,036
Means of financing:		
Borrowing from the public	39,366	129,713
Reduction of operating cash	-6,193	-6,276
Other means	383	-16,106
Total on- and off-budget financing	33,557	107,331

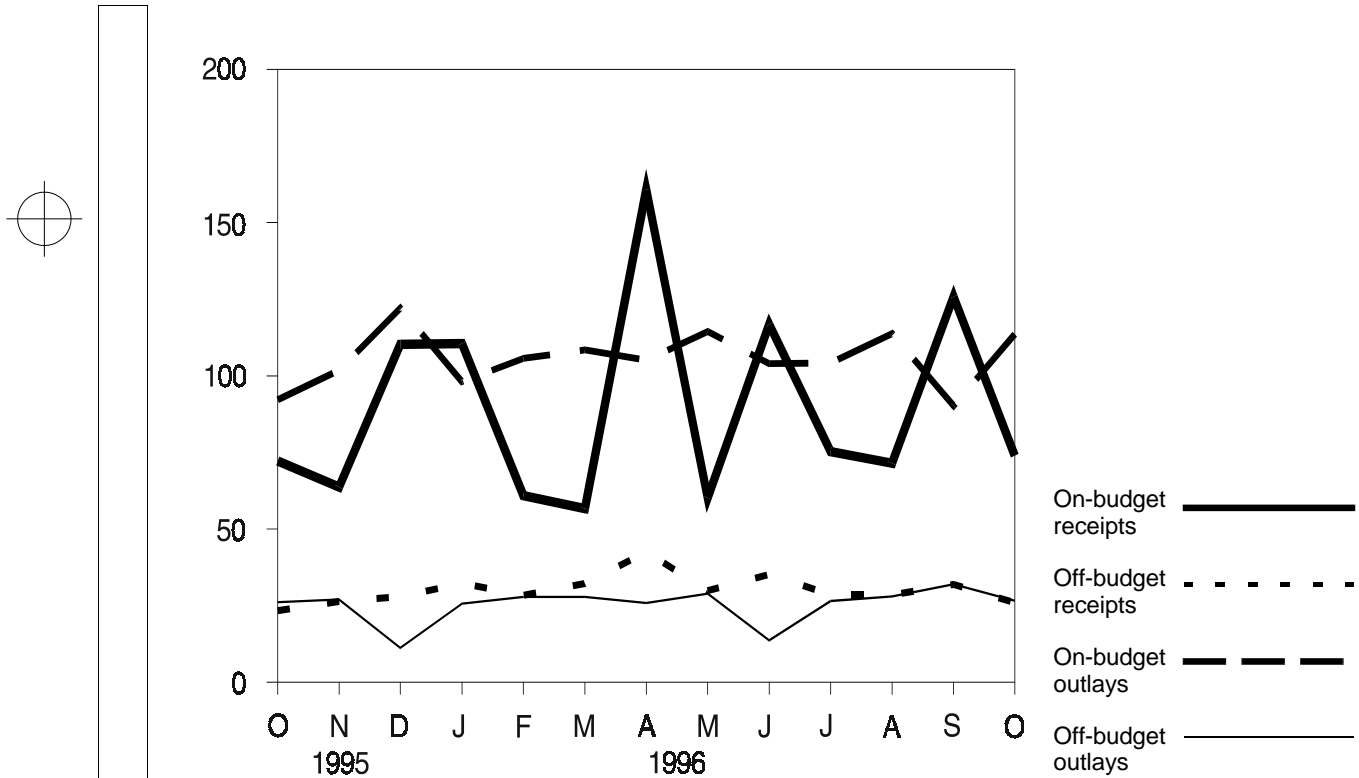
Third Quarter Fiscal 1996 Net Budget Receipts, by Source

[In billions of dollars. Source: "Monthly Treasury Statement of Receipts and Outlays of the United States Government"]

Source	April	May	June
Individual income taxes	107.5	29.9	60.8
Corporate income taxes	24.9	2.6	37.0
Employment taxes and contributions	56.6	38.1	44.9
Unemployment insurance	3.6	10.2	0.4
Contributions for other insurance and retirement	0.4	0.4	0.3
Excise taxes	4.6	4.1	4.3
Estate and gift taxes	2.7	1.4	1.1
Customs duties	1.4	1.4	1.5
Miscellaneous receipts	1.7	1.9	1.7
Total budget receipts	203.4	90.0	152.0

**CHART FFO-A.--
Monthly Receipts and Outlays**

(In billions of dollars)



**CHART FFO-B.--Budget
Receipts by Source, Fiscal
Year to Date, 1996-1997**

(In billions of dollars)

Source: "Monthly Treasury Statement of Receipts and Outlays of the United States Government"

